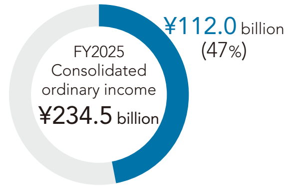
Wealth Management Strategy

The main sources of revenues in the Wealth Management Division are asset-based revenues, mainly wrap fees and investment trust administration fees, as well as product sales commissions related to the management of assets for individual investors and unlisted companies in Japan.

WM Division ordinary income



Junichi Serizawa
Head of Wealth Management

In FY2025, the WM Division's ordinary income increased significantly to ¥112.0 billion, up 38.9% compared with the previous fiscal year. In doing so, the Division achieved the target set for FY2026 under the Group's Medium-Term Management Plan ahead of schedule. Asset-based revenues reached ¥123.2 billion, while the fixed cost coverage ratio and total cost coverage ratio on asset-based revenues rose to 112% and 73%, respectively. These results demonstrate the steady progress of the Group's transformation toward a wealth management business model.

These achievements reflect our deep understanding of customers cultivated through our total asset consulting approach and our success in enhancing the quality of portfolio improvement proposals based on a holistic view of customers' assets. Moving forward, we will refine this total asset consulting approach, centered on our understanding of customers and proposal capabilities nurtured to date, and work to significantly increase our share of the customer's wallet. Consequently, we aim to achieve stable and sustainable revenue growth while further supporting each customer in wealth accumulation and preservation.

Main Companies

- Daiwa Securities Co. Ltd.
- Daiwa Next Bank, Ltd.
- Daiwa Connect Securities Co., Ltd.
- Fintertech Co. Ltd.
- Retela Crea Securities Co., Ltd.

(Daiwa Securities) Number of branches and sales offices in Japan	182
(Daiwa Securities) Number of customer accounts with balance	3,277 thousand
(Daiwa Next Bank) Balance of deposits	¥5.0 trillion
(Daiwa Next Bank) Number of accounts	2,288 thousand

Business Environment

- Growing inflationary pressure
- Growing needs for asset preservation as people live longer
- A future transfer of wealth to the digital-native generation, while the current crop of young people has less investment experience
- Emergence of new products and services enabled by emerging technologies, changes in regulations in response

Strengths

- Network of 182 sales branches/sales offices and a customer base built up over 124 years since its foundation
- Highest number of CFPs among financial institutions in Japan
- Ability to develop and recommend products and services in line with customer needs
- Ability to provide products such as foreign equities/bonds, IPOs, primary and secondary offerings, through synergies with other divisions, including the GM&IB Division

Business Risks

- Risk of major decline in earnings due to weak demand for securities investment from customers owing to market slump, or investors becoming less willing to hold risk assets
- Risk arising from substantial fixed costs, such as real estate-related expenses, personnel expenses, or depreciation on systems investments, for branches, sales representatives, online trading systems, etc.
- Risk of reduced investment margins caused by changes in monetary policy
- Risk of sluggish growth in earning power if the strategy to differentiate from other competing banks does not advance as expected
- Risk of incurring additional costs in the event of an inadequate response to the risks faced by the banking industry